

## Message Text

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ACTION EB-07

INFO OCT-01 AF-08 EUR-12 IO-13 ISO-00 L-03 FRB-01 OMB-01

ITC-01 SP-02 USIA-15 AGR-10 AID-05 CIAE-00 COME-00

INR-07 LAB-04 NSAE-00 OIC-02 SIL-01 TRSE-00 CIEP-02

CEA-01 /096 W

----- 051477

R 221535Z APR 76

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 0989

INFO AMEMBASSY NAIROBI

USMISSION EC BRUSSELS

USMISSION OECD PARIS

USMISSION GENEVA

UNCLAS SECTION 01 OF 02 LONDON 06137

E.O. 11652: N/A

TAGS: UNCTAD, EGEN

SUBJECT: COMMODITIES -- LONDON COMMODITY MARKETS  
AFTER EASTER AND ON EVE OF UNCTAD IV

1. COMMODITY PRICES ON BOTH THE LONDON METAL EXCHANGE AND THE LONDON COMMODITY EXCHANGE (WHERE "SOFT" COMMODITIES ARE TRADED) INCREASED SPECTACULARLY OVER THE FOUR DAY EASTER WEEKEND, REACHING NEW HIGHS ON THE FIRST POST-HOLIDAY TRADING DAY, APRIL 20. AS A MEASURE OF ACTIVITY, ON THAT DAY, THE FINANCIAL TIMES COMMODITIES INDEX REACHED 211.01, ITS HIGHEST POINT SINCE AUGUST 1974. AS MANY TRADERS HAD WARNED WOULD HAPPEN, HOWEVER, THE NEXT TRADING DAY, WEDNESDAY, WAS NOTABLE FOR ACROSS-THE-BOARD PROFIT TAKING, BRINGING THE FT INDEX DOWN TO 209.80 -- STILL WELL ABOVE THE MONTH EARLIER (MARCH 21) FIGURE. THIS CABLE PROVIDES A REVIEW OF TRENDS IN APRIL ON LONDON COMMODITY MARKETS AS OF POSSIBLE INTEREST IN RELATION TO UNCTAD-IV.

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2. THERE HAS BEEN CONSIDERABLE PRESS SPECULATION IN LONDON THAT THE FIRING OF PRICES DURING THE PAST SEVERAL WEEKS COULD SIGNAL A NEW COMMODITIES "BOOM" ON THE ORDER OF THAT OF 1974. NEVERTHELESS, THE GENERAL VIEW IN THE TRADE SEEMS TO BE THAT THERE ARE STILL JUST TOO MANY QUESTION MARKS FOR PROGNOSTICATION. INDEED, TRADING ON APRIL 21 WOULD SUPPORT THE DOUBTERS. CERTAINLY SUCH FACTORS AS THE MORE RAPID THAN EXPECTED US ECONOMIC RECOVERY IS THE STUFF OF WHICH A GENUINE BOOM COULD BE MADE, BUT SPECULATORS, OFF-SHORE BUYERS AND INSTITUTIONAL INVESTORS MAY WELL HAVE PUSHED LONDON PRICES IN SOME CASES WELL ABOVE UNDERLYING TRENDS. OUR VIEW -- FOR WHAT IT MAY BE WORTH AND WITH JUST A DASH OF PRUDENT HEDGING -- IS THAT THE OUTLOOK IS FOR A NERVOUS, ERRATIC MARKET ALONG A GENERALLY UPWARD TREND. TABLE BELOW SUMMARIZES PRICES FOR SELECT COMMODITIES.

## COMMODITY PRICES

(IN POUNDS STERLING PER METRIC TON EXCEPT AS SPECIFIED)

	I	II	III	IV	
COMMODITY	4/20	UP	OVER	UP	OVER
	4/15	4/1	INCREASE		PERCENT
			I/III		

(A) COFFEE 1.351 #101.5 #307 29.4

DOLLARS/LB 1.13 -- #0.238 26.7

) COCOA 1045.5 # 63.5 #240.25 29.8

DOLLARS/LB 0.876 -- #0.188 27.3

(C) RUBBER

PENCE/KILO 53.575 # 2.75 #5.55 11.6

DOLLARS/LB 0.45 -- #0.04 9.8

(D) COPPER

CASH 860.75 #33.75 #126 17.4

DOLLARS 1,591.10 -- #206.83 14.9

3 MOS.

STERLING 885.50 #33.75 #128.75 17.0

DOLLARS 1,636.88 -- #211.13 14.8

(E) TIN

CASH

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STERLING 3,895.0 #62.5 #176.5 4.7

DOLLARS 7,199.91 -- #194.26 2.8

3 MOS.

STERLING 3,942.5 #35 #215 5.8

DOLLARS 7,287.71 -- #265.2 3.8

PRICES FOR COFFEE AND COCOA ARE NEAR JULY QUOTATIONS;  
RUBBER QUOTATIONS ARE JULY-SEPTEMBER; DOLLAR CONVER-

SIONS ARE MADE AT THE APPROPRIATE, INTER-BANK RATE  
FOR DAY IN QUESTION.

3. ONE FACTOR WHICH HAS AFFECTED ALL PRICES IS  
DETERIORATION OF THE POUND. HOWEVER, AS THE TABLE  
ABOVE ILLUSTRATES, PRICES OF ALL FIVE COMMODITIES  
HAVE INCREASED MORE RAPIDLY DURING APRIL THAN THE

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R 221535Z APR 76

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 0990

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POUND HAS DEPRECIATED (IT DROPPED FROM A VALUE OF  
\$1.8840 ON APRIL 1 TO \$1.8485 ON APRIL 10, A DEPRE-  
CIATION OF ABOUT 1.9 PERCENT). TRADERS, OF COURSE,  
SHOULD BE TAKING ANTICIPATED FURTHER DEPRECIATIONS INTO  
ACCOUNT, BUT CLEARLY THE MARKET HAS DONE MUCH  
MORE THAN SIMPLY ADJUST ITSELF TO THE WEAKNESS OF THE  
POUND. INDIVIDUAL COMMODITY PRICES ARE AFFECTED  
BY INDIVIDUAL FACTORS AS WELL. FOR EXAMPLE, WITH  
COFFEE, THE MOST IMPORTANT FACTOR CONTINUES TO BE

LAST YEAR'S BRAZIL FROST, BUT THE MARKET SEEMS TO HAVE BEEN PUSHED ABNORMALLY HIGH BY UNCERTAINTY REGARDING BRAZILIAN PLANS TO PURCHASE ANGOLAN ROBUSTA COFFEE (LOWER GRADE THAN MOST BRAZIL PRODUCTION) FOR ITS SOLUABLE INDUSTRY, AS WELL AS BY REACTION TO MARK UPS OF WHOLESALE PRICES IN THE US AND ELSEWHERE. COCOA SEEMS TO HAVE RESPONDED TO A COMBINATION OF FACTORS INCLUDING MORE OPTIMISTIC GRIND ESTIMATES FROM THE US AND REPORTS OF SOME PRODUCER HOLDBACKS.  
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THE TIN AND COPPER MARKETS -- WITH THE FORMER SUGGESTING A SLOWER BUT PERHAPS STEADIER TREND -- APPEAR TO BE REACTING PRINCIPALLY TO IMPROVED PROSPECTS FOR ECONOMIC RECOVERY IN THE INDUSTRIALIZED WORLD.

ARMSTRONG

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